

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7212

BILL NUMBER: HB 1639

NOTE PREPARED: Jan 1, 2003

BILL AMENDED:

SUBJECT: Lottery Funds for Education.

FIRST AUTHOR: Rep. Becker

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that \$50 M from Lottery proceeds must be spent for kindergarten through twelfth grade education.

Effective Date: July 1, 2003.

Explanation of State Expenditures: The bill requires the Lottery Commission to transfer \$12.5 M quarterly (\$50.0 M annually) in surplus Lottery revenue from the Administrative Trust Fund to the Department of Education (DOE) beginning in FY 2004. The transfer is to be used by the DOE for elementary and secondary education in accordance with the biennial budget act. The quarterly transfer to the DOE would be made subsequent to transfers required under current statute to the Teachers' Retirement Fund and the Pension Relief Fund. The impact of the bill would be to shift \$50.0 M annually in Riverboat Wagering Tax revenue from the Property Tax Replacement Fund (PTRF) to the DOE. This would occur as the reduction of surplus Lottery revenue distributed to the Build Indiana Fund (BIF) would be replaced (under the current funding formula for the BIF) with Riverboat Wagering Tax revenue. The table below presents projected distributions of surplus Lottery and Gaming revenue in FY 2004 and FY 2005 given the Lottery transfer proposed in the bill.

Background: Under current statute, surplus Lottery revenue in the Lottery Commission's Administrative Trust Fund is first transferred to the Teachers' Retirement Fund (TRF) and the Pension Relief Fund (PRF). Once these transfers are made, the remaining surplus Lottery revenue is distributed to the Build Indiana Fund (BIF). Under the bill, an additional \$50 M would be transferred from the Administrative Trust Fund to the DOE before the distribution to the BIF. Based on actual FY 2002 surplus Lottery revenue totaling \$166.1 M, \$50 M is projected to be available in FY 2004 and FY 2005 for the proposed transfer to the DOE.

However, this transfer would reduce the projected distribution to the BIF by \$50 M each year (from \$106.1 M to \$56.1 M).

Current statute also requires distribution of revenue from the Riverboat Wagering Tax, the Pari-mutuel Wagering Tax, the Pari-mutuel Satellite Facility Tax, the Charity Gaming Excise Tax, and the Charity Gaming License Fee to the BIF. Beginning in FY 2003, Riverboat Wagering Tax revenue is transferred from the Property Tax Replacement Fund (PTRF) to the BIF. Annually, this transfer must equal \$250 M minus the sum of the surplus Lottery revenue and revenue from other gaming and pari-mutuel taxes distributed to BIF during that fiscal year. Under this formula, a \$50 M reduction in the annual distribution of surplus Lottery revenue to the BIF will result in a \$50 M increase in the transfer of Riverboat Wagering Tax revenue to the BIF from the PTRF (assuming the projected totals for other gaming and pari-mutuel taxes).

Surplus Lottery and Gaming Revenue & Distributions (Millions)*

| Revenues & Distributions | FY 2001 (Actual) | FY 2002 (Actual) | FY 2003 (Projected) | FY 2004 (Projected) | FY 2005 (Projected) |
|---|-----------------------------|-----------------------------|--------------------------------|--------------------------------|--------------------------------|
| Beginning Balance in BIF | \$324.2 | \$347.3 | \$16.0 | \$0.0 | \$0.0 |
| Surplus Lottery Revenue in Adm. Trust Fund | \$160.0 | \$166.1 | \$166.1 | \$166.1 | \$166.1 |
| TRF Transfer | (\$30.0) | (\$30.0) | (\$30.0) | (\$30.0) | (\$30.0) |
| PRF Transfer | (\$30.0) | (\$30.0) | (\$30.0) | (\$30.0) | (\$30.0) |
| Proposed Education Transfer | N/A | N/A | N/A | (\$50.0) | (\$50.0) |
| Surplus Lottery Revenue to BIF | \$100.0 | \$106.1 | \$106.1 | \$56.1 | \$56.1 |
| Surplus Gaming Revenue to BIF | \$268.2 | \$292.5 | \$143.9 | \$193.9 | \$193.9 |
| Interest | \$26.9 | \$13.7 | \$1.0 | \$0 | \$0 |
| Total Resources in BIF | \$719.3 | \$759.6 | \$267.0 | \$250.0 | \$250.0 |
| MVETRA Transfer** | (\$234.7) | (\$236.2) | (\$92.0) | (\$236.2) | (\$236.2) |
| PTRF Transfer^ | \$0 | (\$200.0) | (\$175.0) | \$0 | \$0 |
| GF Transfer^^ | \$0 | (\$247.3) | \$0 | \$0 | \$0 |
| Amount Available for State & Local Capital Projects*^ | \$484.6 | \$76.1 | \$0 | \$13.8 | \$13.8 |
| Amount Allotted to State & Local Capital Projects*^ | \$137.3 | \$60.1 | | | |

*Updated 10/18/02.

**The required transfer from BIF to MVETRA in FY 2003 is \$236.2 M. The \$144.2 M shortage is to be paid from the state General Fund.

^Transfers required under 2001-03 Biennial Budget (P.L. 291-2001).

^^Transfer approved by the State Board of Finance on April 8, 2002.

*^Actual totals in FY 2001 and FY 2002.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Education.

Local Agencies Affected:

Information Sources: Bob Lain, State Budget Agency, (317) 232-3471; Mike Frick, Office of State Treasurer, (317) 232-6260.

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